



BUDGET SECTION

Thursday, September 30, 2021
 Senate Chamber, State Capitol
 Bismarck, North Dakota

Representative Don Vigesaa, Chairman, called the meeting to order at 10:00 a.m.

Members present: Representatives Don Vigesaa, Bert Anderson, Larry Bellew, Joshua A. Boschee, Mike Brandenburg, Jeff Delzer, Michael Howe, Keith Kempenich, Kim Koppelman, Gary Kreidt, Scott Louser, Bob Martinson, Alisa Mitskog, Corey Mock, David Monson, Mike Nathe, Chet Pollert, Mark Sanford, Mike Schatz, Randy A. Schobinger, Michelle Strinden; Senators Brad Bekkedahl, Kyle Davison*, Dick Dever, Robert Erbele, Joan Heckaman, David Hogue, Ray Holmberg, Karen K. Krebsbach, Tim Mathern, Erin Oban, Dave Oehlke, Nicole Poolman, David S. Rust, Ronald Sorvaag, Terry M. Wanzek*, Rich Wardner

Members absent: Representatives Tracy Boe, Lisa Meier, Jon O. Nelson, Jim Schmidt; Senator Jerry Klein

Others present: See [Appendix A](#) for additional persons present.

*Attended remotely

STATE BUDGET INFORMATION

Mr. Joe Morrissette, Director, Office of Management and Budget, presented a report ([Appendix B](#)) on the status of the general fund for the 2019-21 and 2021-23 bienniums, balances of selected special funds, general fund revenue collections, and oil prices and production.

2019-21 Biennium General Fund Revenues and Expenditures

Mr. Morrissette presented the following information regarding the final status of the general fund for the 2019-21 biennium:

Unobligated general fund balance - July 1, 2019		\$65,000,000
Balance obligated for authorized carryover from the 2017-19 biennium		128,664,231
Total beginning general fund balance - July 1, 2019		\$193,664,231
Add		
General fund collections		5,751,904,322
Total estimated revenues available		\$5,945,568,553
Less		
Legislative appropriations - One-time	(\$48,639,068)	
Legislative appropriations - Ongoing	(4,794,924,098)	
Authorized carryover from previous biennium	(128,664,231)	
Supplemental and deficiency appropriations	(123,140,000)	
Unspent authority	337,679,612	
Other adjustments	2,091	
Total appropriations		(4,757,685,694)
Estimated ending general fund balance - June 30, 2021 - Before transfers and adjustments		\$1,187,882,859
Transfer to budget stabilization fund ¹		0
Other adjustments		(65,529,514)
Ending general fund balance - June 30, 2021		\$1,122,353,345

¹Pursuant to North Dakota Century Code Chapter 54-27.2, any end-of-biennium balance in excess of \$65 million must be transferred to the budget stabilization fund, up to a maximum of 15 percent of general fund appropriations. The budget stabilization fund is estimated to be at the maximum balance at the end of the 2019-21 biennium.

2019-21 Biennium General Fund Turnback

Mr. Morrisette reported on the 2019-21 biennium agency unspent general fund appropriation amounts (turnback). Unspent 2019-21 biennium general fund appropriation authority totaled approximately \$337.7 million. He noted:

- The Department of Public Instruction had turnback of \$61.2 million, which was a result of reduced state school aid spending due to lower than anticipated enrollment growth.
- The Department of Human Services had turnback of \$179.2 million, which primarily related to lower than anticipated cost and caseload levels and the enhanced COVID-19 federal medical assistance percentage.
- The Highway Patrol had turnback of \$21.2 million and the Department of Corrections of Rehabilitation had turnback of \$46.8 million, which primarily related to the use of federal coronavirus relief funds for employee salaries.

2019-21 Biennium Capital Construction Carryover

Mr. Morrisette reported on 2019-21 biennium capital construction carryover. Funding of \$105.4 million for the 2019-21 biennium was continued into the 2021-23 biennium. Of the total amount, \$80 million was for the continuation of funding authority for the statewide interoperable radio network project.

IRREGULARITIES IN THE FISCAL PRACTICES OF THE STATE

Pursuant to Section 54-14-03.1, Mr. Morrisette presented information ([Appendix C](#)) on irregularities in the fiscal practices of the state. He presented the following fiscal irregularities for the period June 2021 through August 2021:

Agency	Fiscal Irregularity	Amount
North Dakota Vision Services - School for the Blind	Teachers working additional hours for summer contract	\$19,565
State Department of Health	Equity adjustment for promotion	\$914
Department of Human Services	Adjustment for incorrect pay rate	\$6,244
Department of Human Services	Equity increase	\$798
Department of Human Services	Workload increases	\$1,956
Department of Labor and Human Rights	Temporary workload increase	\$1,000
Department of Corrections and Rehabilitation	Shift differential pay	\$800
Council on the Arts	Temporary workload increases	\$7,750
State Fair	Workload increase	\$703
Highway Patrol	Reduction in force	\$53,829
Bank of North Dakota	Reduction in force	\$26,855

STATE AGENCY APPLICATIONS FOR FEDERAL GRANTS

Mr. Morrisette presented information ([Appendix D](#)) on state agencies that applied for federal grants estimated to be \$25,000 or more pursuant to Section 54-27-27. He reported the following agencies have applied for a federal grant estimated to be \$25,000 or more:

Agency	Time Period of Grant	Amount
Industrial Commission	October 2021 - September 2026	\$25,560
Department of Corrections and Rehabilitation	January 2022 - December 2022	\$200,000
Commerce Department	30 months from date of award	\$1,000,000
Parks and Recreation Department	September 2021 - May 2027	\$2,714,093

Mr. Morrisette presented the following schedule of federal grants of \$25,000 or more awarded to state agencies:

Agency	Time Period of Grant	Amount
Department of Human Services	October 2020 - September 2021	\$161,690
Industrial Commission	October 2021 - September 2026	\$25,560
Adjutant General	October 2021 - September 2023	\$160,000

FEDERAL CORONAVIRUS CAPITAL PROJECTS FUND

Mr. Morrisette reported ([Appendix E](#)) on the status of the federal coronavirus capital projects fund. He noted additional guidance was released recently which indicates some projects that received an appropriation from the fund may not be eligible.

AGENCY REQUESTS APPROVED BY THE EMERGENCY COMMISSION

Chairman Vigesaa directed the Budget Section to consider agency requests ([Appendix F](#)) which have been authorized by the Emergency Commission and forwarded to the Budget Section pursuant to Chapter 54-16.

Mr. Morrissette provided information regarding the following requests that were authorized by the Emergency Commission and require consideration by the Budget Section.

- **Department of Career and Technical Education (Request #2043)** - The request is to accept and spend \$150,000 of federal funds from the Department of Public Instruction (DPI) available from the federal Elementary and Secondary School Emergency Relief (ESSER) Fund in the operating expenses line item to enhance the RUPReadyND career exploration website to include a work-based learning module to connect students with employers to facilitate career exploration and planning.
- **Department of Career and Technical Education (Request #2044)** - The request is to accept and spend \$200,000 of federal funds from DPI available from the ESSER Fund in the operating expenses line item to market to and recruit students to increase enrollment in career and technical education courses.
- **Department of Career and Technical Education (Request #2045)** - The request is to accept and spend \$290,000 of federal funds from the Agriculture Commissioner available from the United States Department of Agriculture in the adult farm management line item to provide tuition assistance for new farmers and ranchers to participate in the adult farm management program.
- **Department of Financial Institutions (Request #2048)** - The request is to increase special fund spending authority by \$275,000, from the agency's financial institution regulatory fund, in the operating expense line item for the "building-out" of the Bismarck and Fargo offices. The relocation projects started during the 2019-21 biennium but due to supply chain and other delays the projects were not completed prior to the end of the 2019-21 biennium.

It was moved by Senator Wardner, seconded by Representative Sanford, and carried on a roll call vote that the Budget Section approve Emergency Commission requests #2043, #2044, #2045, and #2048. Representatives Vigesaa, Anderson, Bellew, Boschee, Brandenburg, Delzer, Howe, Kempenich, Koppelman, Kreidt, Louser, Martinson, Mitskog, Mock, Monson, Nathe, Pollert, Sanford, Schatz, Schobinger, and Strinden and Senators Bekkedahl, Davison, Dever, Erbele, Heckaman, Hogue, Holmberg, Krebsbach, Mathern, Oban, Oehlke, Poolman, Rust, Sorvaag, Wanzek, and Wardner voted "aye." No negative votes were cast.

STATE TREASURER - OUTSTANDING WARRANTS AND CHECKS

Mr. Thomas Beadle, State Treasurer, presented information ([Appendix G](#)) regarding warrants and checks outstanding for more than 90 days and less than 3 years pursuant to Section 54-11-01. He noted:

- The total dollar amount of outstanding checks decreased by 1.6 percent from fiscal year 2020 to fiscal year 2021.
- Approximately 8,282 checks totaling \$1,024,242 issued in fiscal years 2018 and 2019 will be transferred to Unclaimed Property in October 2021.
- As of September 2021, there are 19,925 outstanding checks totaling \$7.8 million issued during fiscal years 2019, 2020, and 2021.

DEPARTMENT OF COMMERCE - RENAISSANCE FUND ORGANIZATIONS ANNUAL REPORT

Ms. Rikki Roehrich, Program Administrator, Department of Commerce, presented information ([Appendix H](#)) regarding annual audits of renaissance fund organizations pursuant to Section 40-63-07(9). She noted:

- The purpose of a renaissance fund organization (RFO) is to raise funds to be used to finance projects located in designated renaissance zones. There are 58 cities that have a renaissance zone. Of those cities, eight have established an RFO, including Casselton, Fargo, Jamestown, Hazen, Mayville, West Fargo, Hope, and Grand Forks.
- Mayville, Hazen, and Hope manage their city's RFO, while other city RFOs are managed by private entities.
- The Legislative Assembly has approved \$10,500,000 million in tax credits for RFO projects since 1999. At total of \$19,956,732 has been invested in RFOs during this time and \$9,978,366 of credits has been claimed. Of the \$521,634 of credits available, \$250,000 has been reserved for the Hope RFO and \$27,500 for the Mayville RFO.

FIRE DISTRICT EXPENDITURES AND DISTRIBUTIONS FROM THE INSURANCE TAX DISTRIBUTION FUND

Mr. Douglas Nelson, State Fire Marshal, Attorney General's office, presented information ([Appendix I](#)) regarding expenditures by certified fire departments and district funds received from the insurance tax distribution fund and reserve fund balances for 2019 and 2020, pursuant to Section 18-04-02. He noted:

- The insurance tax distribution fund was created in 1887 and receives revenues from insurance premium taxes. Money in the fund is distributed to qualified fire departments to maintain fire services.
- To receive a distribution from the fund, a fire department must complete a certificate of existence by October 31 of each year, have been in existence for at least 8 months, provide minimum requirements to maintain an Insurance Services Office - Public Protection Classification of nine or better, and be in compliance with fire reporting requirements detailed in Section 18-01-06.
- A total of 364 fire departments received \$8,994,753 of distributions in 2019 and 2020.

DEPARTMENT OF CORRECTIONS AND REHABILITATION - INMATE REPORT

Mr. Steven Hall, Director of Transitional Planning Services, Department of Corrections and Rehabilitation, presented information ([Appendix J](#)) regarding the department's prison population management plan, inmate admissions, and the number of inmates the department has not admitted after sentencing, pursuant to Section 54-23.3-11. He noted:

- The maximum operational capacity for male inmates is 1,624 while the maximum operational capacity for female inmates is 224.
- Both the male and female inmate populations are below maximum capacity.
- Due to COVID-19, the department deferred the admission of inmates but in July 2021 the department resumed the acceptance of inmates.

NORTH DAKOTA OUTDOOR HERITAGE FUND REPORT

Ms. Andrea Pfenning, Deputy Executive Director, Industrial Commission, presented information ([Appendix K](#)) regarding the North Dakota outdoor heritage fund. She noted the North Dakota outdoor heritage fund received \$15,100,918 during the 2019-21 biennium and \$10,872,753 during the 2017-19 biennium. A total of 18 grant rounds have been held since 2013, resulting in \$64,734,880 being awarded to 192 projects throughout North Dakota.

DEPARTMENT OF TRANSPORTATION FUNDING

Mr. William Panos, Director, Department of Transportation, presented a report ([Appendix L](#)) pursuant to Section 13 of House Bill No. 1015 (2021) regarding transportation funding. He noted to date, the department has utilized \$30 million of the \$100 million general fund appropriation provided to the department in House Bill No. 1015 to match \$37 million of federal funding to accelerate 13 rural and 12 urban road and bridge projects.

NORTH DAKOTA FINANCE FACTS

At the request of Chairman Vigesaa, Mr. Brady A. Larson, Assistant Legislative Budget Analyst and Auditor, Legislative Council, provided an overview of the [North Dakota Finance Facts](#) pocket brochure.

THREE AFFILIATED TRIBES EXPENDITURES

At the request of Chairman Vigesaa, Mr. Larson distributed a report ([Appendix M](#)) regarding fees, expenses, and charges the tribe imposes on the oil industry and essential infrastructure projects (and each project's cost) completed by the Three Affiliated Tribes of the Fort Berthold Reservation using oil and gas tax receipts pursuant to Section 57-51.2-02. The report noted fiscal year 2021 oil and gas tax revenue for the first 11 months of the year totaled \$228.4 million. The report detailed the infrastructure projects funded with the oil and gas tax revenue, including housing projects, a transitional housing facility, a diabetes center project, a fire hall project, and a clinic.

SUBSTANCE USE DISORDER VOUCHER PROGRAM

Ms. Pam Sagness, Director, Behavioral Health Division, Department of Human Services, provided a report ([Appendix N](#)) pursuant to Section 62 of House Bill No. 1012 (2021) regarding the status of the substance use disorder voucher program. She noted:

- Since July 1, 2021, 424 new applicants have been accepted into the program.
- A total of \$15.3 million was appropriated for the program for the 2021-23 biennium.
- Biennium to date program expenditures and authorizations total \$1.4 million.

BOARD OF UNIVERSITY AND SCHOOL LANDS INVESTMENT PERFORMANCE

Mr. Michael Shackelford, Asset Management Director, Board of University and School Lands, presented information ([Appendix O](#)) regarding the investment of assets under the control of the board. He noted as of June 2021, the board was managing approximately \$7 billion of assets, of which \$5.9 billion were assets of permanent trust funds. He noted the assets of the permanent trust funds were invested as follows:

	Asset Allocation	Percentage of Allocation	Target Allocation
United States equity	\$1,170,295,000	19.8%	19.0%
International equity	1,132,419,000	19.1%	19.0%
Fixed income	1,274,079,000	21.5%	22.0%
Absolute return	878,936,000	14.9%	15.0%
Real estate	783,770,000	13.3%	15.0%
Private equity	11,230,000	0.2%	5.0%
Other	664,198,000	11.2%	5.0%
Total	\$5,914,927,000	100.0%	100.0%

Mr. Schackelford noted:

- The net return for the permanent trust fund as of June 30, 2021, was 21.67 percent for the prior year compared to a benchmark of 21.98 percent, 7.44 percent for the prior 3 years compared to a benchmark of 9.75 percent, and 7.66 percent for the prior 5 years compared to a benchmark of 9.03 percent.
- As of June 30, 2021, the net return on investments for the strategic investment and improvements fund was 0.17 percent for the prior 6 months compared to a benchmark of 0.01 percent and 0.68 percent for the prior year compared to a benchmark of 0.27 percent.
- In fiscal year 2021, the department paid \$36.5 million, or 66 basis points, of fund management fees to private entities for managing approximately \$5.46 billion of assets.

NORTH DAKOTA UNIVERSITY SYSTEM LOCAL FUNDS REPORT

Mr. Rick Tonder, Facilities Planner, North Dakota University System, presented information ([Appendix P](#)) pursuant to Section 15-10-12.3 regarding the sources of funds received for construction projects of entities under the control of the State Board of Higher Education. He noted one project, the Carrington Research Extension Center seed cleaning project, was authorized in a previous biennium and continued into the 2019-21 biennium. He noted 9 projects authorized in previous bienniums were authorized to continue into the 2021-23 biennium.

DICKINSON STATE UNIVERSITY

Mr. Kent Anderson, Chief Financial Officer, Dickinson State University, presented a request ([Appendix Q](#)) pursuant to Sections 15.1-10-12.1 and 48-01.2-25 to increase the authorized amount of the Pulver Hall project from \$4,284,500 to \$4,609,000 using auxiliary fund reserves and to authorize the use of local funds for the project rather than federal funds. He noted additional funding for the project was appropriated from the federal Coronavirus Capital Projects Fund but it appears the project is not eligible to receive funding from the fund.

It was moved by Senator Wardner, seconded by Representative Kempenich, and carried on a roll call vote that the Budget Section approve the Dickinson State University request made pursuant to Sections 15.1-10-12.1 and 48-01.2-25. Representatives Vigesaa, Anderson, Bellew, Boschee, Brandenburg, Delzer, Howe, Kempenich, Koppelman, Kreidt, Louser, Martinson, Mitskog, Mock, Monson, Nathe, Pollert, Sanford, Schatz, Schobinger, and Strinden and Senators Bekkedahl, Davison, Dever, Erbele, Heckaman, Hogue, Holmberg, Krebsbach, Mathern, Oban, Oehlke, Poolman, Rust, Sorvaag, Wanzek, and Wardner voted "aye." No negative votes were cast.

OTHER BUSINESS

Representative Delzer suggested the Budget Section receive an update on the status of the Theodore Roosevelt Presidential Library, including potential allocations from the library foundation to the Dickinson State University Foundation.

No further business appearing, Chairman Vigesaa adjourned the meeting at 2:00 p.m.

Allen H. Knudson
Legislative Budget Analyst and Auditor

Brady A. Larson
Assistant Legislative Budget Analyst and Auditor

ATTACH:17